

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 17201 141656Z
ACTION NEA-10

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C O N F I D E N T I A L CAIRO 17201

E.O. 11652: GDS
TAGS: ECON EG
SUBJECT: EGYPTIAN BUDGETARY PLANNING

1. AS PREVIOUSLY REPORTED, NEW ECONOMIC MINISTERS UNDER DEPUTY PRIMIN KAISOUNI HAVE BEEN GOING OVER THE DRAFT BUDGET FOR 1977 WITH A VIEW TO MAKING REDUCTIONS BEFORE PRESENTING THE DOCUMENT TO THE CABINET AND SUBSEQUENTLY TO THE PEOPLE'S ASSEMBLY FOR APPROVAL. KAISOUNI'S GROUP OF FOUR MINISTERS, INCLUDING MINISTERS OF ECONOMY, FINANCE, PLANNING, AND SUPPLY AND TRADE, IS COMING TO BE KNOWN AS THE "ECONOMIC GROUP." ALTHOUGH KAISOUNI HAS BEEN GIVEN BROAD AUTHORITY, PRIMIN MAMDUH SALEM HAS INSISTED THAT HE MUST REMAIN THE FINAL ARBITER OF WHAT IS POLITICALLY ACCEPTABLE OR NOT. BUDGET SUBMISSION TO PA, WHICH WAS DUE ON DECEMBER 11, HAS BEEN SOMEWHAT DELAYED. AS "ECONOMIC GROUP" MEMBERS HAVE BEEN STRUGGLING WITH FIGURES PRODUCED BY PREVIOUS GOVT. PREDICTABLY, "ECONOMIC GROUP" IS SHOWING SIGNS OF SPLIT. KAISOUNI, MINECON HAMED EL SAYEH AND MINFINANCE HAMED ARE ON ONE SIDE PRESSING FOR DRASTIC CUTS AND REVISIONS; MINSUPPLY AND TRADE ZAKARIA TEWFIK IS ON THE OTHER INSISTING THAT CURRENT PRICES, BASED ON HEAVY SUBSIDIES, BE MAINTAINED. "ECONOMIC GROUP" IS SCHEDULED MAKE ITS PRESENTATION TOMORROW TO FULL CABINET, WHICH WILL THEN DECIDE WHETHER KAISOUNI PROPOSED CUTS ARE ACCEPTABLE. WE EXPECT TOMORROW'S CABINET SESSION TO BE STORMY.

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PAGE 02 CAIRO 17201 141656Z

2. LAST YEAR'S BUDGET HAD ROUGHLY L.E. ONE MILLION

DEFICIT. KAISOUNI AND HIS COLLEAGUES HAVE UNDERTAKEN THE TASK OF SHARPLY REDUCING THAT DEFICIT. KAISOUNI HAS IN FACT EVEN TALKED OF A ZERO BALANCE BUDGET. DEPUTY PRIMIN HAFEZ GHANEM TOLD AMBASSADOR FEW DAYS AGO THAT KAISOUNI'S ZERO BALANCE BUDGET WAS UNACHIEVABLE AT THIS TIME. NEW CABINET WOULD DO WELL IF IT COULD REDUCE THE DEFICIT IN THE COMING YEAR TO LE FIVE HUNDRED MILLION. DEPUTY PRIMIN AHMED SULTAN SEPARATELY TOLD THE AMBASSADOR OF HIS COLLEAGUES' CONCERN OVER KAISOUNI'S EFFORTS SUBSTANTIALLY TO REDUCE THE DEFICIT. IF THIS IS DONE, SULTAN ARGUED, MOST MINISTRY PROGRAMS--INCLUDING HIS--WILL BE STALLED. PUBLIC DISSATISFACTION WITH GOVT EFFORTS WILL QUICKLY GROW TO A POINT THAT PRESENT CABINET WILL BE TURNED OUT OF OFFICE. BOTH HAFEZ GHANEM AND AHMED SULTAN MADE CLEAR THAT THEY, AMONG OTHERS IN THE CABINET, WILL FIGHT VIGOROUSLY AGAINST KAISOUNI PROPOSED BUDGET CUTS.

3. MINECON HAMED EL SAYEH TOLD AMBASSADOR YESTERDAY THAT "ECONOMIC GROUP" HAS BEEN WORKING HARD ON REDUCING THE BUDGET. IT HAD IN FACT BEEN REDUCED TO A LE TWO HUNDRED MILLION DEFICIT, WHICH HE CALLED A CONSIDERABLE ACHIEVEMENT COMPARED TO LAST YEAR'S LE ONE BILLION DEFICIT. "ECONOMIC GROUP" HAD DONE THIS BY REDUCING SUBSIDIES AND INCREASING PRICES ON CERTAIN COMMODITIES. TAXES HAVE ALSO BEEN RAISED AND STEPS SUGGESTED FOR BETTER COLLECTION PROCEDURES. (HE ALSO EXPRESSED CONCERN THAT IMF IS PRESSING GOE FOR STILL GREATER ECONOMIC REFORM--SEE SEPTTEL.) SPEAKING OF TOMORROW'S CABINET MEETING, AT WHICH "ECONOMIC GROUP" WILL PRESENT ITS BUDGET, HE SAID HE COULD NOT PREDICT WHAT OUTCOME WILL BE. HE EXPECTS TEMPESTUOUS SESSION WITH CHARGES THAT KAISOUNI'S "ECONOMIC GROUP" IS BLIND TO CURRENT POLITICAL REALITIES OF EGYPTIAN LIFE. WHILE PRIMIN SALEM HAD AGREED IN PRINCIPLE THAT ECONOMIC REFORMS ARE NECESSARY AND BUDGETARY DEFICIT SHOULD BE REDUCED, EL SAYEH WAS NOT CERTAIN HOW FAR PRIMIN WILL GO TO SUPPORT KAISOUNI AND HIS COLLEAGUES.

EILTS

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